

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01

DOE-15 STRE-00 JUSE-00 /136 W

-----020797 221710Z /50

R 221532Z JUN 78

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 3696

ALL EC CAPITALS

USMISSION GENEVA

UNCLAS SECTION 01 OF 02 PARIS 19895

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PASS STR ELECTRONICALLY

E.O. 11652: N/A

TAGS: ECIN, ETRD, FR

SUBJECT: FRENCH FOREIGN TRADE MINISTER'S SPEECH BEFORE
FRANCO-AMERICAN CHAMBER OF COMMERCE

1. ON JUNE 14, FRENCH MINISTER OF FOREIGN TRADE JEAN-FRANCOIS DENIAU GAVE A LUNCHEON SPEECH IN PARIS BEFORE THE FRENCH CHAMBER OF COMMERCE IN THE UNITED STATES DEALING WITH FRANCO-AMERICAN TRADE AND RELATED SUBJECTS. AN EMBASSY TRANSLATION OF PERTINENT PARTS OF THE PREPARED TEXT IS GIVEN IN PARA 3 BELOW.

2. DENIAU'S SPEECH PRESENTED CURRENT GOF POSITIONS. IT CONTAINED LITTLE NEW, BUT IS INTERESTING IN THAT IT CONSTITUTES THE NEW MINISTER'S FIRST DETAILED PUBLIC
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STATEMENT ON WORLD TRADE. IN DEPARTURES FROM THE PRINTED TEXT, DENIAU MADE THE FOLLOWING TWO COMMENTS OF INTEREST REGARDING TARIFF CUTS IN A FLOATING EXCHANGE RATE WORLD, AND THE ROLE OF THE ADVANCED LDCS IN THE PRESENT TRADING SYSTEM:

TARIFF CHANGES MATTER LITTLE WHEN TRADE MUST

OPERATE UNDER AN UNSTABLE, FLOATING EXCHANGE RATE SYSTEM. WHAT DIFFERENCE DOES IT MAKE IF YOU REDUCE TARIFFS BY TWO PERCENT IF AT THE SAME TIME THERE HAS BEEN A GREATER RELATIVE CHANGE IN EXCHANGE RATES?

THE LDCS, AND IN PARTICULAR THE MORE ADVANCED LDCS, NEED TO START PLAYING BY THE RULES OF THE GAME.

3. FOLLOWING IS THE EMBASSY'S TRANSLATION OF KEY RMGTIONS OF DENIAU'S PRINTED TEXT:

"IF, UP TO THE PRESENT TIME, PROTECTIONIST PRESSURES HAVE REMAINED LIMITED, THE CHALLENGE OF PROTECTIONISM IS FAR FROM HAVING BEEN MET. MEETING THIS CHALLENGE IS THE MAJOR OBJECTIVE OF THE MULTI-LATERAL TRADE NEGOTIATIONS WHICH WILL BE CONCLUDED IN THE NEAR FUTURE AT GENEVA. IN ADDITION TO A NEW REDUCTION OF CUSTOM DUTIES, LARGELY SYMBOLIC, THESE NEGOTIATIONS OUGHT TO PROVIDE THE INTERNATIONAL COMMUNITY WITH TOOLS WHICH WILL PERMIT IT TO ASSURE THE MANAGEMENT OF FREE TRADE DURING THE NEXT 10 OR 15 YEARS.

OUR EFFORTS MUST BE BASED ON TWO PRINCIPLES:

-- THE ABSENCE OF HYPOCRISY IN THE APPLICATION OF INTERNATIONAL TRADE RULES; AND
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-- THE AVOIDANCE OF SHOCKS IN THE EVOLUTION OF TRADE FLOWS.

THE WORLD ECONOMY NEEDS DYNAMISM, BUT ALSO TRUTHFULNESS AND THE MEANS TO ABSORB SHOCKS. THIS PRESUMES, IN EFFECT, THAT THE NEGOTIATIONS BRING POSITIVE RESULTS IN THREE BASIC AREAS:

1. THE ESTABLISHMENT OF MECHANISMS ADAPTED TO THE MANAGEMENT OF A LIBERAL SYSTEM. I MEAN, IN PARTICULAR, THE EXISTENCE OF A SELECTIVE ESCAPE CLAUSE, RECOURSE TO WHICH IS SUFFICIENTLY FLEXIBLE YET WHICH AVOIDS ABUSES. I ALSO MEAN THE ESTABLISHMENT OF PROCEDURES FOR THE ADJUSTMENT OF DISPUTES IN ALL AREAS WHERE THIS IS NECESSARY. WE MUST TRY TO AVOID RECOURSE TO INAPPROPRIATE MECHANISMS WHICH END UP GENERATING PROTECTIVE CHAIN REACTIONS AND PROGRESSIVE INTERFERENCE WITH FREE TRADE. IT IS THIS SAME PREOCCUPATION WHICH MUST LEAD US TO EXPAND INTERNATIONAL COOPERATION

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(CONCERTATION) IN SECTORS FACED WITH WORLD WIDE
STRUCTURAL PROBLEMS.

2. THE APPLICATION BY THE MAJOR PARTNERS OF THE
SAME RULES. THIS SHOULD CORRECT LEGAL VARIANTS WHICH
EXIST BETWEEN THE COMMUNITY AND THE UNITED STATES. THE
LATTER STILL RETAINS THE RIGHT NOT TO APPLY GATT RULES
WHEN THESE ARE IN CONFLICT WITH US LAWS PASSED PRIOR TO
1947.

3. FINALLY, A TRUE OPENING OF THE LARGE MARKETS
OF THE INDUSTRIALIZED COUNTRIES. THIS POINT IS FUND-
AMENTAL. THE COMMUNITY, WHICH IS THE MOST OPEN MARKET
IN THE WORLD, CURRENTLY RUNS A 5 BILLION DOLLAR
DEFICIT WITH JAPAN AND A 6 BILLION DOLLAR DEFICIT WITH
THE UNITED STATES.

IF THESE DEFICITS ARE IN CERTAIN CASES THE RESULT
OF INSUFFICIENT EFFORTS ON OUR PART, THEY ALSO CAN BE
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ATTRIBUTED TO THE CONTINUED EXISTENCE OF A LARGE NUMBER
OF NON-TARIFF BARRIERS WHICH CONSIDERABLY
COMPLICATE IMPORT TRANSACTIONS AND IN CERTAIN CASES
MAKE THEM TOTALLY IMPOSSIBLE.

ALL AMONG YOU WHO EXPORT TO THE UNITED STATES ON
A REGULAR BASIS KNOW THE VERY REAL OBSTACLES CREATED,
FOR EXAMPLE, BY THE COMPLEXITY OF THE U.S. CUSTOMS
EVALUATION SYSTEM, THE ABSENCE OF INTERNATIONAL
DISCIPLINE IN THE FIELD OF TECHNICAL STANDARDS, OR
THE BEHAVIOR OF THE AMERICAN GOVERNMENT WHICH CAN
ARBITRARILY APPLY COMPENSATORY DUTIES IN CONTRADICTION
OF GATT RULES.

IF THE NEGOTIATIONS HAVE ADVANCED RAPIDLY WITH
RESPECT TO TARIFFS WHERE THINGS ARE RELATIVELY SIMPLE,
I AM CONCERNED WITH REGARD TO THEIR EVOLUTION IN THE
NON-TARIFF AREAS. I FEAR WE MAY REACH COMMITMENTS SO
VAGUE THAT THEY WILL CHANGE LITTLE IN PRACTICE, AS WAS
THE CASE IN THE KENNEDY ROUND.

I AM ALSO CONCERNED WITH CERTAIN ASPECTS OF THE
AGRICULTURAL NEGOTIATIONS. I AM CERTAINLY NOT AGAINST
THE ESTABLISHMENT OF RULES, OFTEN NECESSARY IN THAT
SECTOR. BUT I WOULD NOT WANT THE OUTCOME OF THE
NEGOTIATIONS TO FREEZE POSITIONS PREVIOUSLY ACQUIRED.
THIS WOULD SERIOUSLY AND UNFAIRLY LIMIT OUR POTENTIAL
EXPORT POSSIBILITIES.

THEREFORE, WE AWAIT PROPOSALS BOTH WHICH ASSURE
REAL EQUILIBRIUM IN ALL AREAS AND WHICH ALSO ARE
SUFFICIENTLY DYNAMIC FOR THE FUTURE." END TEXT.
HARTMAN
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN TRADE, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS19895
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: ALSO FOR USEEC
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780260-1102
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780630/aaaababz.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 698fbf83-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2247383
Secure: OPEN
Status: NATIVE
Subject: FRENCH FOREIGN TRADE MINISTER'S SPEECH BEFORE FRANCO-AMERICAN CHAMBER OF COMMERCE
TAGS: ECIN, ETRD, FR
To: STATE GENEVA MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/698fbf83-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014